

CREDITOR NATIONS.

Business continues to reign on the Stock Exchange, and the brokers stand around idly, like sailors on a becalmed ship waiting for a wind. How intense the dulness is, may be judged from the dwindling volume of business done, the total sale of stocks for the week having been but 700,000 shares and of bonds only \$4,000,000. Not even the export of \$8,500,000 in gold resulting from the taking in this market more than half the new British War bonds could break the spell. We have more of the metal than we need for our own use, and there is so little demand for loans from banks that their reserves can stand a very large reduction without putting up interest rates.

The exultation or, at least, the satisfaction, expressed by many of our people at the borrowing of money in this market by the British Government is natural and pardonable. We have ourselves been, for so long a period,—nearly a century,—borrowers abroad and in Great Britain especially, that for the British to come asking for a loan from us is very flattering to our vanity. It is as though a clerk, who had let some old established banking or commercial house go into business for himself and had prospered in it, should be asked by that same house for pecuniary assistance. It is an acknowledgment that this country now stands on a level at least, in point of wealth and resources, with its former patron. Then, too, the fact that the British Government now pays nearly a per cent. interest on so small a loan as \$8,000,000, while ours borrowed in 1888 for the Spanish war, \$200,000,000 at 3 per cent. and could have done it at a fraction under that rate, if it had tried, is very significant.

Some misconceptions in regard to the transaction, however, require to be corrected. It is not true that the interest on the loan in the hands of Americans is liable as has been said, to a deduction of 5 per cent. for the British income tax. The tax on incomes in Great Britain is, indeed, 5 per cent. this year, but last year it was only a little over 3 per cent. and may be reduced again to that rate next year. Whatever it may be, and although it will, when it is paid, be deducted from the interest on the new loan, it will be refunded to holders who are exempt from it by reason of not being British subjects. Nor does the placing of the loan here prove that we have become, as some people say, a creditor nation; that is, that more is owing to our citizens from foreigners than is owing to foreigners from our citizens, and that, on the whole, we are lenders abroad rather than borrowers.

Accurate information on the subject of international financial relations is impossible of attainment. The statistics of imports and exports exhibit the movements only of specific commodities, leaving those of credits and securities to be guessed at. The offsets to exports by this country, for example, in the shape of payments of freights on imports, are unreported, and so are the expenditures of our citizens travelling abroad of money which they carry with them. It is the same with remittances to European holders of our stocks and bonds. How much they amount to, nobody knows, and nobody can learn, except through a violation of professional confidence on the part of all the bankers by whom the money is collected and remitted. Whether, therefore, a nation is a creditor of other nations or a debtor to them, depends upon a variety of facts, some of which are unknown, so that the inferences from those which are known may not be entirely correct.

During the last three years, according to the returns, this country has exported merchandise and services to the value of \$1,000,000,000 more than it has imported. Great Britain during the same time has imported about \$2,000,000,000 more than it exported, and had been doing it at the same rate for many years before. The imports of France for 1897, 1898, and 1899, were \$800,000,000 more than its exports, while those of Germany for 1896, 1897 and 1898, were \$600,000,000 more. In the opinion of some theorists these figures show that this country has become in three years £100,000,000 richer than it was. Great Britain \$2,000,000,000 poorer. France \$200,000,000 poorer, and Germany \$800,000,000 poorer. Others draw from these figures a directly reverse conclusion and say that we have lost by the excess of our exports, while Great Britain, France and Germany have gained by the excess of imports, and are richer by the amounts mentioned. Both conclusions, obviously, cannot be true, and neither of them is absolutely true.

We are, therefore, driven to look beyond the statistics of foreign commerce for data upon which to form an opinion of the relative financial condition of nations, and to take other known facts into consideration in estimating it. In the case of Great Britain we have to remember that for a century, if not longer, her home manufacturers, her foreign commerce and her shipping, have been immensely profitable. During the long and costly Napoleonic wars she not only out of her own resources paid her own military and naval expenses, but made large contributions to those of her allies. As soon as this drain ceased, as it did in 1815, she began to accumulate wealth with astonishing rapidity. The carrying trade of the world had been thrown into her hands by Napoleon's treatment of neutrals, her coal and iron mines furnished her abundantly with the raw materials of manufacturing industry, and the ingenuity of her artisans and the enterprise of her capitalists developed it to the utmost possible extent. The result was that in the course of a few years enough surplus capital was created in the country not only to supply home enterprises but to send abroad. It was lent to the colonies which still acknowledged British supremacy, as Canada, India, and Australia, to the citizens of our republic, and of the republics of South America, and, as time went on, to the great states of the continent of Europe for the building of gas works, waterworks and the making of other improvements. The revenue from all these investments as well as that from the ocean carrying trade, of British shipping comes to its British owners not in the form of money but in that of merchandise, and though its amount is not exactly known, it must in view of all the facts, be taken as a full explanation of the continued excess, during a long series of years, of British imports over British exports.

Great Britain, therefore, is entitled to the distinction of being a creditor nation, because to her citizens, as creditors, the citizens of many other nations are debtors. Besides this, such is the reputation of her merchants and financiers, and such is the confidence of the world in the stability and the honesty of her government, that millions of money belonging to foreigners have been placed for safe keeping in British banking houses, French princes, German, Austrian and Russian nobility have made British bankers the custodians of large sums to provide against riots and revolutions at home. Many American citizens did the same during the war of Secession, and again in 1868, when the agitation in this country for the restoration of the silver standard seemed likely to succeed. That the recent taking of the British loan as we may be due to the same cause, it is humiliating to reflect. All this money, for the time being, is British capital though the income from it enures to the benefit of its holders.

The citizens of France have not so many foreign investments as those of Great Britain, but they have enough to account for the excess of imports into their country over the exports from it. The Suez Canal was built mainly with French capital, and so were miles of Italian and the Spanish railways. Frenchmen also own considerable amounts of the Russian, the Turkish, the Italian, and the Spanish national debts, and their holdings in foreign gold, copper and quicksilver mines are likewise important. Germany, within thirty years, has so increased her manufactures that she is beginning to compete seriously in supplying them from foreign countries, and interest and dividends on our own Government bonds and railroad stocks and bonds are, in spite of recent reverses of them in large amounts, an important element of income to her citizens from abroad. It may be doubted whether these items entirely account for the excess of

German imports over German exports, but they do so to a great extent.

From what has been said, it will be evident that the United States have yet a great way to go before they can fairly claim the position in the world of a creditor nation. It is not enough that our exports exceed our imports, nor that, in times like these, when interest is low here and high in Europe we can lend a few millions of dollars to a foreign Government. Our excess of exports is subject to deductions which do not appear in Customs House returns, and whatever it is, it may be merely the repayment of former borrowings. The British loan may do no more than return to Europe capital belonging to Europeans which has been temporarily invested here. Only when, like Great Britain, we can import more than we export without paying off old debts or incurring new ones, and lend to foreign borrowers not \$20,000,000, but hundreds of millions, year after year, shall we have the right to congratulate ourselves that our borrowing abroad has permanently ended, and our lending in the same quarter become permanently established.

One factor that may have an important influence in determining our financial future is the decision which we shall make for good and all respecting the standard of monetary value. If we are going to maintain gold as the standard, beyond all question, it will be another. The firm establishment of the gold standard will tend to attract capital to this country, as it attracts it to Great Britain; that of the silver standard will tend to repel it from the country as it repels it from India, Mexico and other silver countries. The outflow of specie in motion would, for a time, increase our surplus of exports over imports, but it would also be an impoverishment of the country and not its enrichment.

MATTHEW MARSHALL.

FINANCIAL AND COMMERCIAL.

UNITED STATES AND STATE BONDS.

Open High Low Close Sales. **Name.** **Open** **High** **Low** **Clos** **Sales.**

6,000 U. S. 2d... 100% 100% 100% 100%

3,000 U. S. 4d... 107% 115% 115% 115%

8,000 U. S. 10d... 133% 131% 131% 131%

20,000 U. S. M... 96% 96% 96% 96%

8,000 U. S. 6d... 96% 96% 96% 96%

BALLOON AND OTHER BONDS (in \$1,000s).

Open High Low Close Sales. **Name.** **Open** **High** **Low** **Clos** **Sales.**

1,300 Atch & St... 84% 84% 83% 84%

4,420 Atch & St... 101% 101% 101% 101%

15 Adams Exp... 104% 104% 104% 104%

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29 Atch & N.W. 10d... 97% 98% 97% 98%

Ave C... 120 120 120 120

90 B & R 3d... 94% 94% 94% 94%

131 B & R 4d... 100 100 99% 100

132 B & R S. Wd... 84% 85% 85% 85%

13 B & R P.J. & M... 85% 86% 85% 85%

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